

Message Text

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PAGE 01 PARIS 18976 141345Z
ACTION EUR-12

INFO OCT-01 ISO-00 NSCE-00 CIAE-00 INR-10 NSAE-00 SS-15
SP-02 EB-08 COME-00 TRSE-00 OMB-01 DOE-15 SOE-02
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-----052228 150645Z /15
R 141332Z JUN 78
FM AMEMBASSY PARIS
TO SECSTATE WASHDC 3225

C O N F I D E N T I A L PARIS 18976

USOECD

PASS TIM DEAL (NSC) FROM RENNER

E.O. 11652: GDS
TAGS: EGEN, EPAP
SUBJECT: LONG-TERM OIL PRICE STRATEGY

I WOULD APPRECIATE IT IF YOU WOULD CIRCULATE THE
FOLLOWING MESSAGE TO THE PARTICIPANTS IN FRIDAY'S
MEETING ON OIL PRICE STRATEGY.
I AM CONCERNED ABOUT TWO ASPECTS OF THE CIA ANALYSIS
OF THE GNP IMPACT OF GRADUAL REAL PRICE INCREASES
AND A SUDDEN JUMP IN REAL PRICES.

1. A WAY NEEDS TO BE FOUND TO EXAMINE THE PROBABLE
SUPPLY RESPONSE TO GRADUAL REAL PRICE INCREASES.
IT IS NOT REALISTIC TO ASSUME THERE WOULD BE NONE.
THERE IS A PROBLEM OF ELASTICITIES, BUT I SHOULD
THINK THAT ANALYSIS WOULD PRODUCE A RANGE OF
ELASTICITIES WITH A DEGREE OF RELIABILITY NO LESS
THAN THAT USED IN THE DEMAND ANALYSIS.

2. IN ASSESSING THE PROBABLE REACTION TO A SUDDEN
AND LARGE INCREASE IN REAL OIL PRICES, THE ABRUPT
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AND SUBSTANTIAL INCREASE IN INFLATION RATES AND THE
PSYCHOLOGICAL IMPACT ON BUSINESS DECISION MAKERS,
INVESTORS, AND MONEY MANAGERS SHOULD BE EVALUATED
AND INCORPORATED IN THE APPRAISAL.
SALZMAN

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NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
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Current Classification: UNCLASSIFIED
Concepts: OILS, PRICES
Control Number: n/a
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Draft Date: 14 jun 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
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Subject: LONG-TERM OIL PRICE STRATEGY I WOULD APPRECIATE IT IF YOU WOULD CIRCULATE THE FOLLOWING MESSAGE TO THE PARTICIPANTS IN FRIDAY'S
TAGS: EGEN, EPAP
To: STATE
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Review Markings:
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